

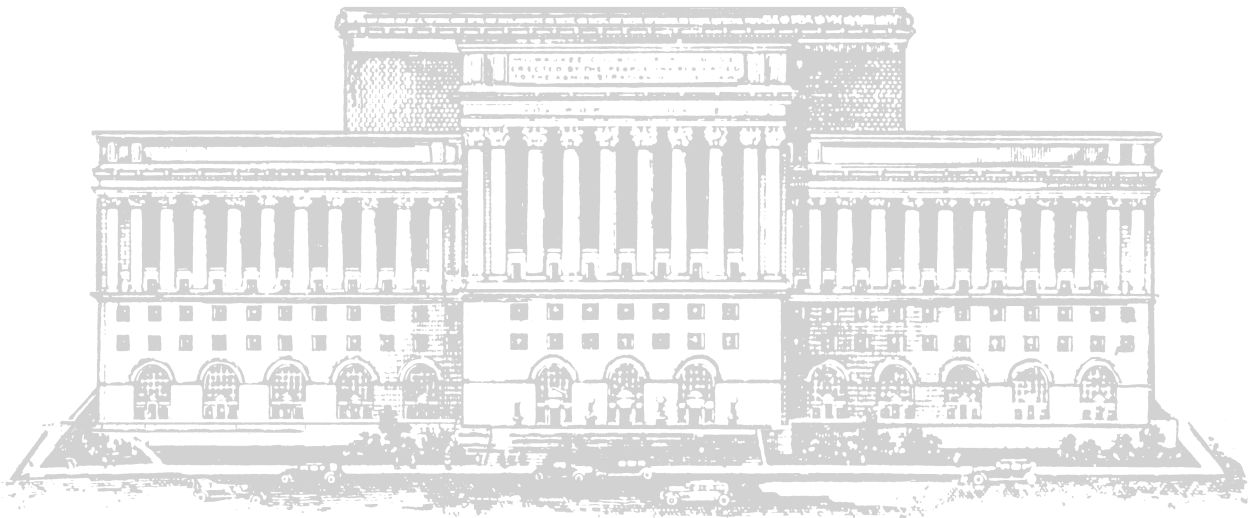


ROAD MAP FOR MILWAUKEE COUNTY'S FUTURE
PRESENTED BY

JOHNNY L. THOMAS, 18TH DISTRICT
MILWAUKEE COUNTY BOARD OF SUPERVISORS

SEPTEMBER 2009

VICE-CHAIRMAN
COUNTY BOARD FINANCE & AUDIT COMMITTEE



MILWAUKEE COUNTY ■ WISCONSIN



Milwaukee County

Supervisor Johnny L. Thomas, 18th District
Vice-Chair, Finance & Audit Committee

September 2009

Dear residents of Milwaukee County,

According to the March 2009 report from the Public Policy Forum, *Milwaukee County's Fiscal Condition, Crisis on the Horizon?* "Long-term solvency, as measured by commonly used indicators, is questionable at best." The report suggested all alternatives should be considered, including:

- Implementing new or enhanced local revenue sources to reduce its reliance on external sources and augment flexibility.
- Eliminating, transferring or outsourcing programs and services that are not essential to its core mission and that could be performed just as well by others.
- Selling or leasing assets to generate capital as a means of paying down liabilities or re-investing in other assets that must be retained.

Here at the County Board, my colleagues and I have begun to consider a number of alternatives in Milwaukee County. While final decisions have not yet been made, we have put some ideas on the table. We must be bold and progressive in formulating the most effective long-range strategic goals for Milwaukee County. We must put policies in place that ensure the best possible scenario for future generations.

The attached document details some ideas that have been forwarded thus far. These ideas are intended to spark a public discussion from a broader viewpoint. Instead of focusing efforts on a 4-year political term, some of these policy decisions could be implemented now, even prior to the 2010 budget process.

We should not narrow our options to only cutting spending or raising taxes. There are a multitude of other options out there. Costs can be offset with smart choices that bring in more revenue. That's how businesses work, and we must do the same in Milwaukee County. We must creatively explore these possibilities and determine the impact they could have on budgets in Milwaukee County.

Sincerely,

Supervisor Johnny L. Thomas
Vice-Chair, Finance & Audit Committee

Attachment

Cc: Milwaukee County Board of Supervisors
Milwaukee County Executive Scott Walker

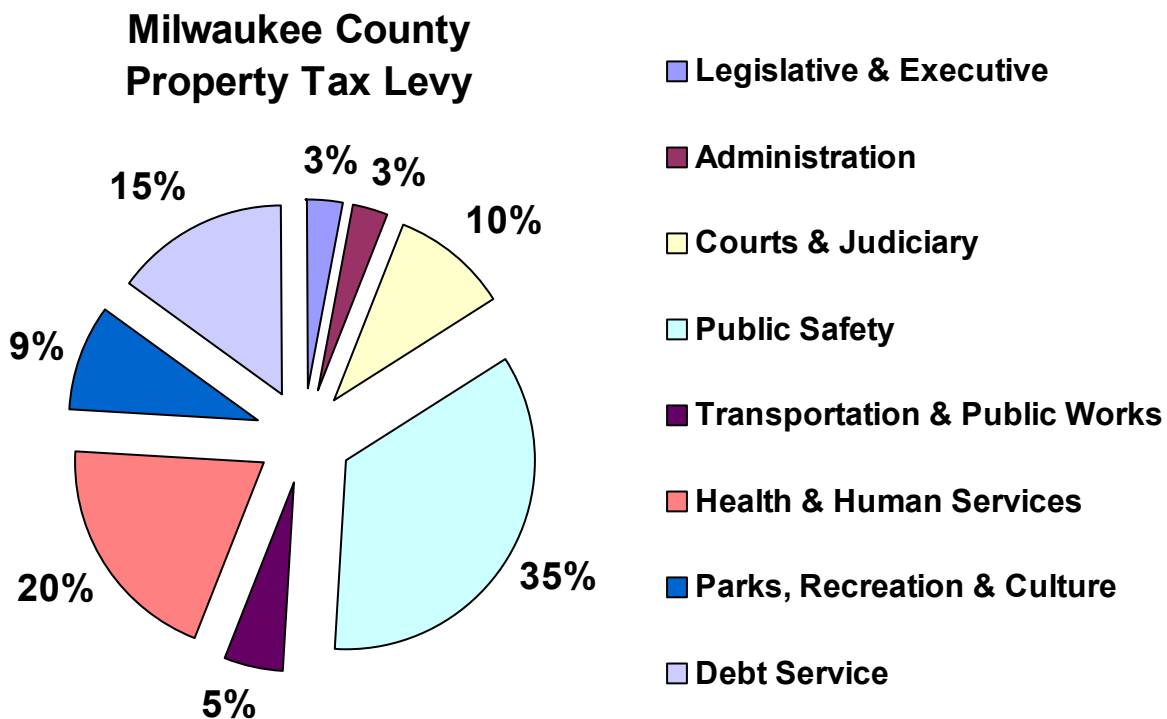
Road Map for Milwaukee County's Future

"If you don't know where you are going, you might end up someplace else"

It's time for Milwaukee County to get to work on a new strategic plan. Ten years have passed since the last comprehensive plan for the future. We must meet these challenges and re-energize our efforts to be a community where people want to live, work and play. In the County's last strategic plan, it was stated that our residents deserve the best from Milwaukee County government. We must be a more efficient, accountable and customer-focused organization that protects and promotes quality of life for all.

Thank you for your interest in reforming the way your government operates. We have a diverse population base, and provide a wide range of functions and services to meet the needs of the nearly 1 million people in the melting pot known as Milwaukee County. The manner in which your tax dollars are collected and spent must be overhauled.

In 2009, Milwaukee County's expenditures were approximately \$1.4 billion. To put this into perspective, Milwaukee County's budget is similar in size to large Wisconsin-based companies like Columbia St. Mary's Health System or Associated Bank. In a County this densely populated, our budget may seem hard to understand, but the following chart shows where your Milwaukee County property tax dollars go:



In an effort to reform Milwaukee County government, policymakers have begun to explore a number of alternatives. It's time to advance that discussion by following through on the following objectives:

1. American Recovery and Reinvestment Act (Stimulus Funding)

Milwaukee County is already confirmed to receive \$40.8 million in stimulus funding for public transit, transportation, economic development, housing, law enforcement and energy conservation. These funds will allow Milwaukee County to expedite deferred capital maintenance needs and make other improvements that will not require local tax levy funding. **Estimated funds to Milwaukee County: \$40.8 million +**

In addition to the nearly \$40 million in confirmed stimulus funding, Milwaukee County is also eligible to pursue funding in the following program areas:

- Lead Hazard Reduction Grants, which could be used to provide funding for lead hazard abatement in Milwaukee County homes as part of the HOME/Home Repair program.
- Green Jobs-Workforce Training Grants, which could be used to implement Green Print training initiatives for county staff.
- The County also expects to receive additional stimulus funding for administration of its Individuals with Disabilities Act Infants & Families Birth to Three program.

The County is also issuing the following bonds as part of the American Recovery and Reinvestment Act of 2009:

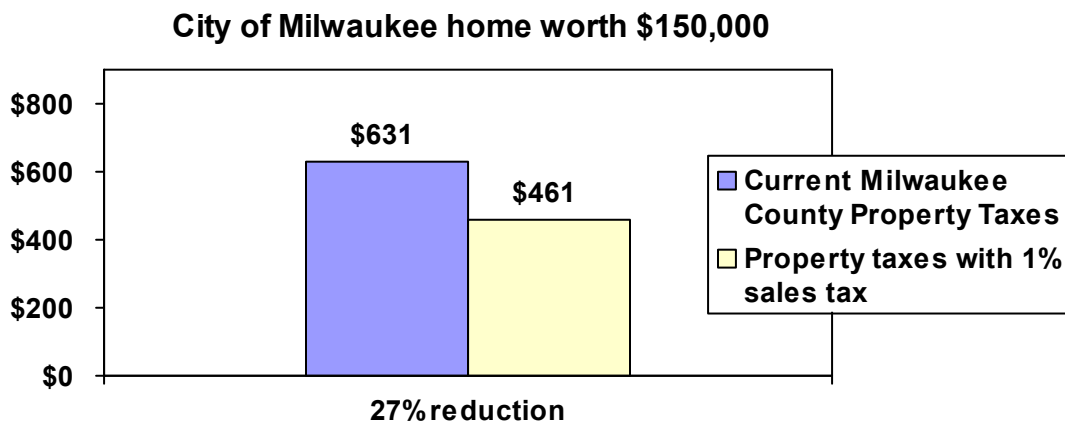
- Build America Bonds: In taking advantage of the Stimulus Build America Bonds, Milwaukee County can issue bonds to finance capital improvements and receive a 35% rebate on the interest expense from the Federal Government, saving the county millions of dollars of interest compared to traditional bonds.
- Qualified Energy Conservation Bonds: the County Board is currently reviewing a proposal for issuance of Qualified Energy Conservation Bonds, which would apply funding to County performance contracting.
- Recovery Zone Bonds: the County received notification that it is eligible to issue \$12,307,000 in Recovery Zone Economic Development and \$18,461,000 in Facility Bonds.

2. Tax Revenue Diversification

Unfortunately, the State of Wisconsin has not yet given Milwaukee County the authority to establish dedicated funding for mass transit; parks, recreation and culture; and emergency medical services. I still believe this is a crucial component to solving the County's long-term fiscal challenges, and we are working with legislators to revive this discussion. Milwaukee County voters approved an advisory referendum in November 2008 that endorsed a 1% sales and use tax to provide property tax relief of at least \$67 million by removing parks, recreation and culture, transit and emergency medical services from the county property tax levy. This would reduce Milwaukee County's reliance on the property tax to fund these vital services while ensuring that visitors and guests help defray the overall costs through their purchases.



Securing enabling legislation from the State would bring in more revenue for Milwaukee County while providing considerable property tax relief to homeowners. Because a significant portion of sales taxes are collected from individuals who do not live in Milwaukee County, the tax burden could be spread more fairly across visitors who enjoy the County's attractions and amenities, but do not pay property taxes. **Estimated property tax relief to Milwaukee County: \$67 million.¹**



¹ Based on 1% sales and use tax advisory referendum approved 11/4/08. Actual figure will be based on the amount of sales and use tax revenue allocated by the RTA for the permitted purposes.

3. Property Sales

Milwaukee County is actively marketing land sales within the Park East corridor downtown and recently agreed to sell property on the County Grounds in Wauwatosa to the University of Wisconsin-Milwaukee for a new school of engineering. **Estimated funds to Milwaukee County: \$25.3 million.**²

Recent debate on the Park East corridor has centered on whether the City of Milwaukee should take over the redevelopment of the former freeway site. One option could involve paying the City a fee to sell Park East land for Milwaukee County. A small broker fee paid to the City of Milwaukee could be more cost-effective than re-establishing a County Economic Development department, which was largely dissolved in the 2009 County Budget.

4. Wage and Benefit Packages

Milwaukee County is currently negotiating wage and benefit packages with its represented employees for 2009 and beyond. Wages, health care, pension and employee benefits are all subject to collective bargaining rules. Potential savings from active and retired employees cannot be quantified until voluntary agreements have been reached or arbitration rulings have been announced.

Separately, Milwaukee County will save \$13.5 million annually in employee medical and prescription drug costs, for a total savings of \$40.5 million from 2009 to 2011, through the newly created Division of Employee Benefits. This savings is on top of the \$10 million savings achieved in 2007 by the Division, for a total savings of over \$50 million. Board Chairman Lee Holloway authored the 2007 Budget Amendment that created the Division, including the creation of a Director of Employee Benefits. The savings were realized by issuing a request for proposals for both medical and prescription drug services for the period from 2009 through 2011. The Employee Benefits Division analyzed several providers in both areas and negotiated contracts that save the County \$13.5 million annually.

In addition, a record number of Milwaukee County residents are taking advantage of a discount drug card offered by Milwaukee County and the National Association of Counties (NACo). The free prescription drug discount cards offer an average savings of 20% off common retail prescription prices. Since the program was launched in 2006, County residents have saved more than \$500,000. Those savings greatly exceed the dues paid to NACo by Milwaukee County on an annual basis.

We must identify additional methods to save on health care and other benefits, for both employees and residents in Milwaukee County.

² The estimated sale price of the County Grounds parcel to the UW-M foundation is \$13.3 million. The Park East parcels are appraised at approximately \$3 million per each of the remaining eight blocks. 50% of the proceeds will be shared with the federal government.

5. Privatization

The County Executive's 2010 Recommended Budget will likely contain a number of privatization initiatives. The County Board's consideration of these proposals should be grounded in a rational public policy discussion on whether privatization is appropriate and, if so, how it should be accomplished.

Any decision to move forward on privatization should be based on complete and accurate financial data. Past proposals have not uniformly addressed full costs of privatization (e.g. unemployment compensation costs) and a thorough analysis of critical items like revenue offsets and the affect of overhead costs. Careless approaches to management of these initiatives should be avoided. In addition, debates regarding privatization should focus on the County's level of control over services and the extent to which private vendors will be held accountable for outcomes. Other factors include risks of becoming overly reliant on vendors. This is of particular concern if a privatization results in shedding capital assets (e.g. vehicles, equipment, structures) that are costly to replace if a privatization is to be reversed. The impact on users should also be considered. In Parks programs, for example, consideration should be given to whether private operators would be willing to operate programs with fee structures appropriate to the public purpose for providing the program.

If a decision is made to move forward with a private sector provider, it is essential that a credible, transparent procurement process be used. Competition, which may include the ability of County program management to participate, is fundamental to a successful privatization. Working with a specific vendor to initiate a privatization is unacceptable. The process should also incorporate solid contract language that fully addresses the need for accountability for outcomes, services levels, pricing and any other relevant issues. Finally, consideration should be given to the impact on existing employees. There is a broad continuum of options ranging from straight out layoffs to requiring potential vendors to retain existing employees at existing compensation levels.

6. General Mitchell International Airport

Milwaukee County's General Mitchell International Airport is one of the most effective and efficient

fly smart. fly MKE.

airports in the United States. This facility uses no property tax dollars in its operation, and is the largest economic engine in southeastern Wisconsin. In addition to recent expansions from AirTran Airways, Delta, and Frontier Airlines, Southwest Airlines has announced plans to begin service to Milwaukee County in November and Republic Airways, which purchased Midwest Airlines, has indicated its desire to increase air service to Milwaukee. These service expansions show that Milwaukee County's airport is a desirable place for airline to do business. Because these expansions come during a challenging environment in the airline industry, Milwaukee County businesses and residents are fortunate to have avoided the larger cutbacks recently experienced at some comparable airports.

The County Executive has suggested that Mitchell Airport could be privatized (public-private partnership) with the County receiving a significant upfront payment in exchange for a long-term lease deal. The proposed privatization of Midway Airport in Chicago was recently scrapped due to the economic downturn and the difficulty in obtaining credit financing. Milwaukee County may want to explore a wider range of options at the airport, including alternatives that would not require relinquishing control to a private entity. Some of these alternatives could include more advertising and sponsorships at the airport terminal. Above all, we must identify other revenue sources at the airport to make sure that Mitchell remains a competitive and low-cost airport to attract and grow traffic.

7. Milwaukee County Parks

"Milwaukee's parks are the broadest and most visible embodiment of our common wealth as a people. They frame the urban picture for all of us. They provide relief from the insistent pressures of civilization. They open vistas, literally, to worlds beyond the human, and they hint at higher values. But public parks are something even more. We Milwaukeeans view our parks with an especially strong feeling of ownership. Each is a classic declaration of democracy, an unmistakable statement that the beauty spots belong to all of us, not to the wealthy few. We need to keep making that statement, for our own welfare and for the welfare of distant generations." -John Gurda, Historian



Parks, recreation and culture play an important role by contributing to the quality of life in Milwaukee County. Milwaukee County residents are proud of their parks, and many residents pay a premium to live near a County park. Despite the lack of dedicated funding for parks, we have made a number of improvements at little or no cost to taxpayers. Bradford Beach, typically deserted just a couple of years ago, is now bustling with activity, thanks in part to food and beverage concessions, volleyball tournaments and a general increase in appeal to both residents and tourists.

These recreational opportunities provide an overall benefit to residents of Milwaukee County and beyond. Our parks host everything from kite festivals to fireworks extravaganzas. Residents and visitors enjoy these activities, and we are proud to provide these park offerings, but they do come at a cost. While some parks generate revenue, that is not the primary purpose. Tax levy funds that are invested in Parks are somewhat offset by the fees they collect. The people of Milwaukee County pay for these amenities with no tax levy support coming from surrounding areas. That is why dedicated funding is necessary. Those who use our parks but do not pay property taxes can contribute to our vibrant parks through the sales taxes they pay while visiting. After all, these are regional assets used by the entire region.

Milwaukee County has more parks than any other urban county in the United States on a per capita basis. In addition, the Milwaukee County Parks Department has been selected as one of four finalists for the 2009 National Gold Medal for Excellence, with the winner to be

selected this fall. We should all be proud of our parks. We must also understand the need to establish a mechanism to address our long-term deferred maintenance needs. The State of Wisconsin understands this need, and many of our State parks are immaculate. Devil's Lake State Park, for instance, is beautiful. The State would never jeopardize the condition of this park. Milwaukee County should treat its parks in a similar manner.

8. Green Initiatives

The County Board of Supervisors has taken the lead in implementing environmental and conservation measures with the adoption of the “Green Print” Initiative. This includes retrofitting county buildings with energy efficient technology, water conservation, recycling and pursuing alternative/renewable energy sources for fleet vehicles. Supervisor Marina Dimitrijevic should be commended for spearheading this effort and convincing the County Executive to sign this landmark County legislation. These efforts are paying off. So far this year, we have already saved more than \$222,000 in energy costs. In fact, we expect to save more than \$3 million in energy costs over the next decade, and that’s just at the Courthouse complex alone.



9. Chicago Olympics

Should Chicago be awarded the 2016 Olympics, one can expect a huge impact in Milwaukee County. Because of its close proximity to Chicago, Milwaukee County would be in a good position to supply event venues and lodging for attendees. Locations like the lakefront, the Milwaukee County Sports Complex and Miller Park can host events. The influx of residents could help pay off Miller Park sooner than projected and raise more sales tax dollars for Milwaukee County. Along with the existing Amtrak service, the proposed Kenosha-Racine-Milwaukee (KRM) commuter rail project also has the potential to be a huge asset for moving Olympic fans between the two metropolitan areas.



Milwaukee County could host a number of events, including lakefront rowing, bike races at the lakefront and along the Oak Leaf Trail, and other outdoor competitions. We also have the Pettit National Ice Center, which is a U.S Olympic Training Facility. This year, we launched bike racks on buses, our Parks Department became a national Gold medal finalist, our Parks Director received a “Best of” award, and we are becoming well known for our fresh water industries. The Milwaukee Art Museum and Summerfest grounds can also serve as a great backdrop to showcase Milwaukee County to a worldwide audience.

If the Olympics are held 90 miles down the road, the Milwaukee area, in general, could capitalize on the national exposure of the games. Many of the overseas travelers who attend these games will rely on public transportation. Utilizing the existing Amtrak service, or the proposed KRM line would help relieve congestion. Milwaukee County is easily

accessible for those who choose to stay in Milwaukee County during the games, should they be awarded to Chicago.

Should the Olympics be held in Chicago, the total incremental economic impact is expected to be \$22.5 billion. If Milwaukee County captures just one percent of that impact, it's still \$225 million. Ten percent is \$2.25 **billion**. We cannot underestimate the potential sales tax and other revenues that might be collected from high profile events like the Olympics and Harley Davidson anniversary celebrations.

Milwaukee County must meet these challenges

It is my hope that these points can lead a broader discussion among all policy-makers in Milwaukee County. Rather than just simply surviving, the County should be put into a position to lead and prosper. Our problems are too large to ignore. Similarly, we cannot borrow our way out of these problems. We owe it to our children's children to set a better course and promote sustained economic growth. I call on my colleagues on the County Board, as well as the County Executive, to consider the responsible components outlined above to lift the burden on future generations and build a government that makes all of us proud to call Milwaukee County home.

-Supervisor Johnny L. Thomas, 18th District
Vice-Chair, Finance & Audit Committee